

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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January 27, 2003

Ms. Carol Disbro, Director of Reimbursement
Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

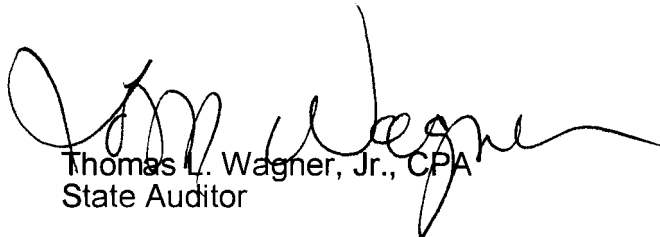
Re: AC# 3-WOF-J8 – Woodruff Health Care

Dear Ms. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**WOODRUFF HEALTH CARE
WOODRUFF, SOUTH CAROLINA**

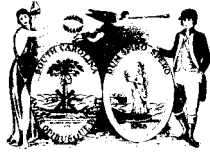
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-WOF-J8**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 5, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Woodruff Health Care, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Woodruff Health Care is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

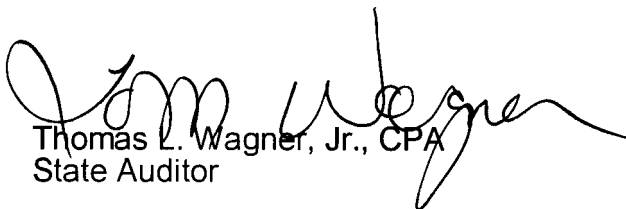
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Woodruff Health Care, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Woodruff Health Care dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 5, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

WOODRUFF HEALTH CARE
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-WOF-J8

	10/01/99- <u>09/30/00</u>
Interim Reimbursement Rate (1)	\$81.83
Adjusted Reimbursement Rate	<u>79.60</u>
Decrease in Reimbursement Rate	\$ <u><u>2.23</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

WOODRUFF HEALTH CARE

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-WOF-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.79	\$40.97	
Dietary		9.64	10.24	
Laundry/Housekeeping/Maintenance		<u>9.33</u>	<u>8.89</u>	
Subtotal	\$ <u>4.21</u>	52.76	60.10	\$52.76
Administration & Medical Records	\$ <u>4.12</u>	<u>7.27</u>	<u>11.39</u>	<u>7.27</u>
Subtotal		60.03	\$ <u>71.49</u>	60.03
<u>Costs Not Subject to Standards:</u>				
Utilities		2.02		2.02
Special Services		.68		.68
Medical Supplies & Oxygen		2.66		2.66
Taxes and Insurance		1.94		1.94
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>67.33</u>		67.33
Inflation Factor (3.00%)				2.02
Cost of Capital				6.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.36
Cost Incentive				4.21
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.82)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.18</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>79.60</u>

WOODRUFF HEALTH CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-WOF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,112,507	\$ -	\$32,526 (2)	\$1,079,981
Dietary	307,961	-	-	307,961
Laundry	64,519	776 (3)	-	65,295
Housekeeping	158,548	-	-	158,548
Maintenance	74,187	-	-	74,187
Administration & Medical Records	264,470	-	32,001 (3)	232,469
Utilities	64,678	-	-	64,678
Special Services	22,788	5,318 (3)	6,523 (4)	21,583
Medical Supplies & Oxygen	84,871	-	-	84,871
Taxes and Insurance	61,895	-	-	61,895
Legal Fees	-	-	-	-
Cost of Capital	<u>214,331</u>	<u>1,465</u> (5)	<u>5,694</u> (3)	<u>210,102</u>
Subtotal	2,430,755	7,559	76,744	2,361,570

WOODRUFF HEALTH CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-WOF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	46,169	-	-	46,169
Non-Allowable	74,664	32,526 (2) 31,601 (3) <u>6,523 (4)</u>	1,465 (5) <u> </u>	143,849 <u> </u>
Total Operating Expenses	<u>\$2,551,588</u>	<u>\$78,209</u>	<u>\$78,209</u>	<u>\$2,551,588</u>
Total Patient Days	<u>31,958</u>	<u>-</u>	<u>-</u>	<u>31,958</u>
Total Beds	<u>88</u>			

WOODRUFF HEALTH CARE
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WOF-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$ 87,575	
	Fixed Assets		\$ 77,611
	Accumulated Depreciation		9,964
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	32,526	
	Nursing		32,526
	To disallow expense not adequately documented HIM-15-1, Section 2304		
3	Nonallowable	31,601	
	Laundry	776	
	Therapy	5,318	
	Administration		32,001
	Cost of Capital		5,694
	To adjust home office and related party laundry expense HIM-15-1, Section 2304		
4	Nonallowable	6,523	
	Special Services		6,523
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
5	Cost of Capital	1,465	
	Nonallowable		1,465
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$165,784	\$165,784

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WOODRUFF HEALTH CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-WOF-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>88</u>
Deemed Asset Value	3,091,440
Improvements Since 1981	95,466
Accumulated Depreciation at 9/30/98	<u>(860,221)</u>
Deemed Depreciated Value	2,326,685
Market Rate of Return	<u>.063</u>
Total Annual Return	146,581
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	146,581
Depreciation Expense	50,455
Amortization Expense	35,007
Capital Related Income Offsets	(21,941)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	210,102
Total Patient Days (Actual)	<u>31,958</u>
Cost of Capital Per Diem	\$ <u><u>6.57</u></u>

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